

Departmental Offices

Program Summary by Budget Activity

(Dollars in thousands)

Appropriation	FY 2007	FY 2008	President's Budget	FY 2009	
	Enacted	Enacted		Increase/Decrease	Percent Change
Salaries and Expenses	\$216,348	\$248,360	\$273,895	\$25,535	10.3%
Executive Direction	19,728	20,749	21,592	843	4.1%
Economic Policies and Programs	38,393	44,242	45,853	1,611	3.6%
Financial Policies and Programs	24,695	29,465	34,735	5,270	17.9%
Terrorism and Financial Intelligence	47,540	56,775	61,712	4,937	8.7%
Treasury-wide Management and Programs	16,748	18,505	19,009	504	2.7%
Administration Programs	69,244	78,624	90,994	12,370	15.7%
Subtotal, Departmental Offices - S & E	\$216,348	\$248,360	\$273,895	\$25,535	10.3%
Offsetting Collections - Reimbursables	19,800	19,800	18,500	(1,300)	(6.6%)
Total Program Operating Level	\$236,148	\$268,160	\$292,395	\$24,235	9.0%

Explanation of Request

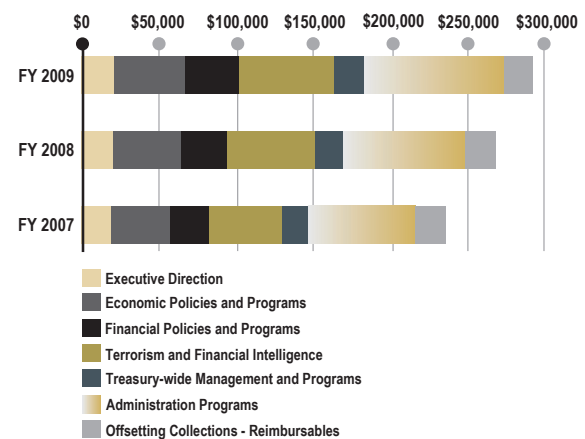
The FY 2009 President's Budget request for the Departmental Offices (DO) Salaries and Expense account provides funding to stabilize and improve the Department's debt management systems; improve its ability to prepare the domestic and international financial services sector for natural or man-made disasters; build an Operations Center to improve the Department's ability to respond to financial crises; enhance the Department's capacity to administer sanctions against terrorist groups and their sponsors; perform timely legal reviews for the Committee on Foreign Investment in the United States (CFIUS); improve the Department's internal counterintelligence and security capabilities; and allow the Department to increase its role as a leader in the area of financial intelligence.

DO's top priorities and proposed initiatives support each of the Department's strategic goals: Effectively Manage U.S. Government Finances; Ensure U.S. and World Economies Perform at Full Potential; Prevent Terrorism and Promote the Nation's Security Through Strengthened International Financial Systems; and Promote Management and Organizational Excellence.

Total resources requested to support DO activities for FY 2009 are \$292,395,000, including \$273,895,000 from direct appropriations and \$18,500,000 from offsetting collections and reimbursable programs.

DO Funding History

(Dollars in Thousands)



Purpose of Program

DO's mission is to promote the conditions for prosperity and stability in the United States and to encourage prosperity and stability in the rest of the world.

As the headquarters bureau for the Department of the Treasury, DO provides leadership in such critical areas as economic and financial policy, terrorism and financial intelligence, and general management. DO is responsible for Treasury policy direction and formulation, and supports Treasury's role in leading the country and the world to more prosperous and stable economies through improving financial and economic systems, promoting a safe and secure America, and collecting the revenue due to the government.

DO FY 2009 Budget Highlights

(Dollars in thousands)

Appropriation	Amount
FY 2008 Enacted	\$248,360
Changes to base:	
Base Realignment:	\$0
OIA - Global Finance	1,000
OIA - Base Realignment	(1,000)
Maintaining Current Levels (MCLs):	\$6,082
Non-Pay Inflation Adjustment	2,396
Pay Annualization	837
Pay Inflation Adjustment	2,849
Initiative Annualization:	\$4,433
IA - Annualization of FY 2008 Initiative	748
OFAC - Annualization of FY 2008 Initiatives	986
OIA - Annualization of FY 2008 Initiatives	1,465
TFFC - Annualization of FY 2008 Initiatives	803
TP - Annualization of FY 2008 Initiatives	431
Non-Recurring Costs:	(\$1,500)
SCIF	(1,500)
Transfers In:	\$1,724
DOIT - Disaster Recovery	1,724
Subtotal FY 2009 Changes to Base	\$10,739
Total FY 2009 Base	\$259,099
Program Changes:	
Program Increases:	\$14,796
DF - Debt Management Office Analytical Support	3,000
DF - Ensuring National Security Through CIP	1,300
DO - Operations Center	6,200
OFAC - State Sponsored Terrorism (Iran and Sudan)	1,380
OGC - General Counsel Support for CFIUS	483
OIA - Counterintelligence and Security Capabilities Enhancement	1,433
OIA - Global Finance Mission	1,000
Subtotal FY 2009 Program Changes	\$14,796
Total FY 2009 President's Budget Request	\$273,895

FY 2009 Budget Adjustments

FY 2008 Enacted

The FY 2008 enacted direct appropriation for DO is \$248,360,000.

Base Realignment

Office of Intelligence Analysis (OIA) - Base Realignment -\$1,000,000 / +0 FTE A portion of base funding will be transferred within the DO budget to support the Global Finance Initiative.

OIA - Global Finance \$1,000,000 / +0 FTE The FY 2009 Budget proposes \$2 million for the OIA Global Finance Initiative, of which \$1 million will be transferred within the DO budget to fund personnel and administrative support costs. A more detailed description of this initiative can be found in the "Program Increases" section below.

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain Current Levels +\$6,082,000 / +0 FTE Funds are requested for: FY 2009 cost of the January 2008 pay increase

of \$837,000; proposed January 2009 pay raise of \$2,849,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of \$2,396,000.

Initiative Annualization

Funds are requested for completing the full-year cost and FTE realization of positions from enacted FY 2008 initiatives.

Office of International Affairs (IA) - Annualization of FY 2008 Initiative +\$748,000 / +4 FTE In FY 2008, funds were enacted to recruit investment flow analysts and other specialists assigned to reviewing transactions filed with the CFIUS. This function is necessary to provide adequate support for, and measure progress toward, achieving the IA objective of ensuring national security and increasing economic growth.

Office of Foreign Asset Control (OFAC) - Annualization of FY 2008 Initiatives +\$986,000 / +5 FTE In FY 2008, resources were enacted to continue the Treasury Department's efforts in combating terrorist networks and state sponsors of terrorism. New Executive Orders with respect to Sudan and Syria were issued in 2006, and the Administration is extensively engaged with respect to Iran. Funding was also enacted to expand the weapons of mass destruction (WMD) sanctions program by strengthening OFAC's ability to track, identify, and designate financiers and other supporters of WMD proliferation. Finally, additional support was enacted to expand enforcement capacity in support of investigation and blocking activities, which are critical to the enforcement of sanctions.

OIA - Annualization of FY 2008 Initiatives +\$1,465,000 / +9 FTE In FY 2008, funding was enacted to expand OIA's analytic programs to meet increased demands and expand the breadth and depth of its analytic coverage. Resources were provided to integrate Treasury further into the Intelligence Community (IC), thereby increasing Departmental access to critical intelligence, and expand its ability to coordinate on terrorist-financing and WMD proliferation matters. Finally, funding was enacted for OIA's Office of Intelligence Support to provide intelligence to the Secretary, Deputy Secretary and other senior Treasury leadership on a full range of political, economic, and security matters to

the Secretary, Deputy Secretary and other senior Treasury leadership.

Office of Terrorist Financing and Financial Crimes (TFFC) - Annualization of FY 2008 Initiatives +\$803,000 / +4 FTE In FY 2008, resources were enacted for additional policy advisors dedicated to disrupting terrorist financial networks in the Western Hemisphere, Africa and the Middle East-South Asia nexus, bringing together the U.S. government tools available to law enforcement and national security agencies. Funding was also provided to target rogue regimes such as North Korea and other significant national security hot spots (including Afghanistan, Pakistan, India, and Central Asia).

Office of Tax Policy (TP) - Annualization of FY 2008 Initiatives +\$431,000 / +2 FTE In FY 2008, funds were enacted to increase tax policy analytical support. TP presently has only limited capability to produce analyses for a narrow range of tax policy changes. Additional resources dedicated to this analysis will afford estimates of the full effect of tax policy changes to decision-makers in order to inform tax policy determinations. The resources requested will facilitate production of these estimates for proposed Federal tax legislation.

Non-Recurring Costs

Sensitive Compartmented Information Facility (SCIF) -\$1,500,000 / +0 FTE Of the \$3 million in SCIF funding enacted in FY 2008, \$1.5 million is non-recurred in FY 2009.

Transfers In

Departmental Office Information Technology (DOIT) - Disaster Recovery +\$1,724,000 / +0 FTE The FY 2009 Budget proposes to transfer funding for its disaster recovery site from the Department-wide Systems and Capital Investments Program account to the DO Salaries and Expenses account due to the fact that the funds are for continuing operations and not development. The DO disaster recovery site was established in 2002 at another government site in West Virginia. The servers, workstations, and network devices were procured and installed as part of the seat management contract. The fixed cost of equipment, labor, and leased telecommunications lines is a mandatory expense that will continue in perpetuity. The requested resources will be used to fund those must-pay items and enable the disaster recovery site to remain operational.

Program Increases

Office of Domestic Finance (DF)- Debt Management Office Analytical Support +\$3,000,000 / +2 FTE A complete revamp of the Office of Debt Management's (ODM) information technology systems is necessary to equip decision makers with better models so that more accurate and timely projections can be made. This will result in more effective financing of the federal government and will increase the reliability of crucial data on which the capital markets rely. Investing in ODM's systems will put the Treasury Department in a position to significantly reduce the risk of operational failure, better manage its \$9 trillion debt portfolio and improve national security. Securing the ODM infrastructure through multiple failsafe mechanisms and backup facilities will ensure that the U.S. Treasury market remains the most important sovereign issuer in global capital markets.

DF - Ensuring National Security Through the Office of Critical Infrastructure Protection (CIP) +\$1,300,000 / +0 FTE This funding will help protect the American financial services sector against disasters, either natural or manmade. The mission of this office is to lead the efforts of the Banking and Finance Sector to maintain and improve the security and resilience of the U.S. financial infrastructure. Initiatives currently underway have made a direct and positive impact on cooperative public-private sector efforts to identify threats and vulnerabilities, to share critical information, and to work together to mitigate risks to the sector, and protect the U.S. economy and our national security. Additional funding will allow for further international exercises with entities such as the European Central Bank; extensive mapping of the financial sector; and the establishment of secure communications with financial institutions.

DO - Operations Center +\$6,200,000 / +24 FTE The global scope of the Treasury Department's operations require a 24/7 response capability. The Treasury Operations Center will act as a fusion center for the processing, dissemination and coordination of crisis management actions of policy offices. It will have the capability to monitor international and domestic financial markets; coordinate actions with Federal agencies, foreign governments, and global financial markets; and manage the Department of the Treasury's global operations on a daily basis. The center will include representatives from key

Treasury Department policy offices, and provide them with necessary communication equipment and information technology.

OFAC - State Sponsored Terrorism (Iran and Sudan)

+\$1,380,000 / +4 FTE The FY 2009 Budget proposes to enhance OFAC's capacity to effectively administer and implement the application of economic sanctions to state sponsors of terrorism, such as Iran and Sudan, as well as terrorists, terrorist groups and their support networks. OFAC requests additional sanctions investigators; enforcement, compliance, licensing, blocking, and civil penalties officers; Freedom of Information Act specialists; and program advisor and records management specialists to support these efforts.

Office of General Counsel (OGC) - General Counsel Support for the Committee on Foreign Investment in the United States (CFIUS)

+\$483,000 / +2 FTE The office of the Assistant General Counsel for IA requires additional legal support so that it may meet the increased demand to support clients working on the Treasury-chaired Committee on Foreign Investment in the United States. The number of cases reviewed by CFIUS has substantially increased, as has the scrutiny accorded to each case. Treasury Department attorneys are involved much earlier in the process of case review and are devoting far more time to each case in order to examine jurisdictional issues and participate in interagency discussions of possible mitigation agreements when potential national security threats are present.

OIA - Counterintelligence and Security Capabilities Enhancement

+\$1,433,000 / +3 FTE Funding this initiative is critical to the Department's efforts to address current and emerging threats that affect its national security mission. These include: preventing espionage in the Department; thwarting adversarial threats to our personnel, programs, and facilities; and identifying and mitigating threats from theft or compromise of Treasury-critical programs. As Treasury's national security mission increases, Treasury becomes a greater target of foreign adversaries. This initiative builds on a recent Departmental Counterintelligence assessment.

OIA - Global Finance ***+\$1,000,000 / +10 FTE*** This initiative provides \$2 million, including a realignment of \$1 million in base resources, and 10 positions to

fund the Global Finance Initiative. These resources will enable OIA, Treasury's intelligence component, to effectively leverage information from the IC to provide actionable intelligence to senior policymakers in support of targeted financial measures, and to play a critical role in enabling coordination across the IC on matters related to financial intelligence.

Explanation of Budget Activities

Salaries and Expenses

Executive Direction (\$21,592,000 from direct appropriations and \$700,000 from reimbursable programs) Provides direction and policy formulation to the Department, and interacts with Congress and the public on Departmental policy matters.

Economic Policies and Programs (\$45,853,000 from direct appropriations and \$3,200,000 from reimbursable programs) Monitors domestic and international economic conditions and collects and analyzes financial data, including foreign credits and credit guarantees.

Financial Policies and Programs (\$34,735,000 from direct appropriations and \$4,300,000 from reimbursable programs) Monitors and provides economic and financial policy expertise in the areas of domestic finance and tax policy.

Terrorism and Financial Intelligence (\$61,712,000 from direct appropriations and \$4,000,000 from reimbursable programs) Develops and implements strategies to counter terrorist financing and money laundering.

Treasury-wide Management and Programs (\$19,009,000 from direct appropriations and \$2,700,000 from reimbursable programs) Provides strategic plans and policy direction in the fields of human resources, information technology security, and financial administration that include the formulation and management of the budget.

Administration Programs (\$90,994,000 from direct appropriations and \$3,600,000 from reimbursable programs) Provides operational support and shared services to all offices within DO. Activities include accounting, budget, human resources, information technology, procurement, facilities support, and travel services.

DO Performance by Budget Activity

Budget Activity	Performance Measure	FY 2005	FY 2006	FY 2007		FY 2008	FY 2009
		Actual	Actual	Actual	Target Met?	Target	Target
Economic Policies and Programs	Number of new trade and investment negotiations underway or completed (Oe)	N/A	N/A	N/A	N/A	Baseline	6
Financial Policies and Programs	Number of open material weaknesses closed (Oe)	Met	Met	Not Met	✗	Met	Met
Terrorism and Financial Intelligence	Number of countries that are assessed for compliance with the Financial Action Task Force (FATF) 40+9 recommendations (Ot)	49	5	6	✓	12	12
Treasury-wide Management and Programs	Complete investigations of EEO complaints within 180 days (%) (Oe)	36	20	51.6	✓	50	50
Treasury-wide Management and Programs	Injury and illness rate Treasurywide-including DO (Oe)	2.8	1	0	✓	1.4	1.4

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

Legislative Proposals

The Budget proposes legislation to give the Secretary of the Treasury the ability to manage the government's short-term excess operating cash more efficiently. Under the current authority, which is codified at 31 U.S.C. 323, the Government is authorized to invest its short-term excess cash in obligations of the United States Government and depository institutions, principally banks, savings and loan associations, and credit unions. This initiative would enable the Secretary of the Treasury to broaden investment options and improve earnings on investments. This initiative is expected to increase the interest earnings on the Treasury's investment of short-term excess cash by approximately \$10 million a year. Such earnings would be deposited in the general fund of the Treasury.

This proposal is consistent with recommendations in the September 2007 GAO report entitled "Treasury has Improved Short-Term Investment Programs, but Should Broaden Investments to Reduce Risks and Increase Return." In its report GAO suggests that Congress consider providing the Secretary of the Treasury with broader authority in the design of an expanded repossession program. Specifically, GAO recommended that Treasury explore the reallocation of its short-term investments and, if provided the authority to do so, implement a permanent expanded repossession program that would meet Treasury's short-term investment objectives while maintaining current minimal risk investment policies.

Description of Performance

Treasury has demonstrated positive results in reaching its planned performance for the majority of its economic policy, financial policy, and terrorism measures reported in FY 2007. This includes successful efforts to increase the number of new Free Trade Agreements (FTAs), improve International Monetary Fund (IMF) effectiveness, decrease the variance between estimated and actual receipts, increase the number of outreach engagements with charitable and international financial communities, and increase the number of open civil penalty cases that are resolved within the statute of limitations period.

In FY 2007, Treasury met all performance goals related to their Equal Employment Opportunity (EEO) measures. The Department is now focusing on developing effective dispute prevention and alternative dispute resolution programs that are viewed as fair and objective by employees and managers. Treasury also instituted service level standards to assess the performance of the Treasury Complaint Mega Center, and has plans to increase oversight at the center to ensure continuous improvement of operations.

The Department has committed its resources to developing and replacing performance measures for the Offices of International Affairs, Economic Policy, Domestic Finance, Foreign Asset Control, Intelligence and Analysis, and Terrorism Financing and Financial Crimes with more meaningful ones that align with the Treasury Strategic Plan in FY 2008.